

RHS, RBS, RUS, FSA, USDA

§ 1924.54

assure continued compliance with state licensing and/or regulatory requirements.

Attachment 1—Acceptable Warranty Companies

The warranty companies listed below claim authority to act as a risk retention group under the Products Liability Risk Retention Act of 1981 and as such, to operate in all States to provide 10-year home warranties. This authority remains subject to future challenges by any State insurance commissioner or regulatory agency; however, until such challenge is made, FmHA or its successor agency under Public Law 103-354 accepts their warranty.

Name and address	Area of operation
Home Owners Warranty Corporation/ HOW Insurance Company, 11 North Glebe Road, Arlington, Virginia 22201, (703) 516-4100.	All States.
Home Buyers Warranty, 89 Liberty Street, Asheville, North Carolina 22801, Telephone: (704) 254-4478.	All States.
Residential Warranty Corporation, P.O. Box 641, Harrisburg, Pennsylvania 17108-0641, Telephone: 1-800- 247-1812.	All States.
Manufactured Housing Warranty Cor- poration, P.O. Box 641, Harrisburg, Pennsylvania 17108-0641, Tele- phone: 1-800-247-1812.	All States.

[52 FR 8002, Mar. 13, 1987, as amended at 56 FR 29167, June 26, 1991]

Subpart B—Management Advice to Individual Borrowers and Applicants

SOURCE: 53 FR 35679, Sept. 14, 1988, unless otherwise noted.

§ 1924.51 General.

This subpart contains policies for providing management advice to all Farm Credit Programs direct loan applicants and borrowers. Forms and Farm Assessment and Supervision Reference handbooks are available in any Agency county office.

[61 FR 35922, July 9, 1996]

§§ 1924.52–1924.53 [Reserved]

§ 1924.54 Definitions.

As used in this subpart, the following definitions apply:

Agency. This term refers to the Farm Service Agency, its county and State committees and their personnel, and any successor agency.

Commercial classified. The Agency's highest quality Farm Credit programs accounts. The financial condition of the borrowers is strong enough to enable them to absorb the normal adversities of agricultural production and marketing. There is ample security for all loans, there is sufficient cash flow to meet the expenses of the agricultural enterprise and the financial needs of the family, and to service debts. The account is of such quality that commercial lenders would likely view the loans as a profitable investment.

Farm Assessment and Supervision Reference. This reference provides guidance to field staff on conducting assessments, year-end analyses, and general borrower supervision.

Farm business plan. The automated or manual Farm and Home Plan system which contains a projection that accurately reflects the borrower's plan of operation for the production or marketing cycle. The annual plan may cover a period of more or less than 12 months. A normal year's plan, as defined in this section, will be used when the annual plan does not reflect typical income, expenses, and debt payments. The Agency will accept farm business plans other than the Farm and Home Plan if they provide sufficient information to enable Agency officials to render a sound credit decision in accordance with Agency regulations.

Farm Credit Programs loan. Includes Farm Ownership (FO), Soil and Water (SW), Operating (OL), Emergency (EM), Economic Emergency (EE), Recreation (RL), Special Livestock (SL), Economic Opportunity (EO) and Softwood Timber (ST) loans. Also included are Rural Housing loans for farm service buildings (RHF), and Rural Housing (RH) loans where the borrower is also indebted for an Agency direct farm loan that is not a collection only or judgment account. Non-Program loans, which are defined in §1951.451(a), are excluded.

Individual. The term "individual" is used throughout this subpart to refer to the person receiving Agency supervision and management advice. If an applicant or borrower applies as an individual applicant, the term "individual" means the operator. In the case of an eligible corporation, cooperative,

partnership, or joint operation, the term “individual” means the entity members with the primary responsibility for making management decisions and carrying out the day-to-day physical tasks.

Normal year plan. A projected farm business plan most representative, or typical, of an operation’s normal income, expenses (including family living expenses), and capital debt payments.

Prospectus. Consists of a transmittal letter similar to FmHA Guide Letter 1951-F-3 with a current balance sheet and projected year’s budget attached. The applicant or borrower name and address need not be withheld from the lender. The prospectus is used to determine lender interest in financing or refinancing specific direct loan applicants and borrowers. The prospectus will provide information regarding the availability of Agency loan guarantee and interest assistance.

Standard classified. These loan accounts are fully acceptable by Agency standards. Loan risk and potential loan servicing costs are higher than would be acceptable to other lenders, but all loans are adequately secured. Repayment ability is adequate, and there is a high probability that all loans will be repaid as scheduled and in full.

[61 FR 35922, July 9, 1996, as amended at 68 FR 62223, Nov. 3, 2003]

§ 1924.55 Assessment of the agricultural operation.

Assessments will be completed for direct Farm Credit Programs loan applicants. An assessment is a comprehensive evaluation of the components of an operation, the identification and prioritization of training and supervisory needs, and the resulting plan of supervision to assist the borrower in achieving financial viability. The assessment is the central foundation upon which to build strategies for planning, credit and management counseling, loan controls, analysis, borrower training, and all other needed supervision. An assessment will include thorough inspections of the operation and face-to-face meetings and discussions with all key individuals.

(a) *Agency evaluation.* The Agency will assess each of the areas described in paragraph (b) of this section in close

cooperation with the applicant or borrower. As part of that assessment, the Agency will determine whether the proposed budget is feasible on a direct or guaranteed loan basis, the type and nature of any material financial or production management weaknesses in the operation, and the specific strategy needed, including timeframes, to effect improvements and control risks. Material weaknesses are those that have a significant impact on the net income of the operation and need to be corrected to enable the borrower to progress financially and eventually graduate from FSA farm credit programs. Examples of material weaknesses include, but are not limited to: lack of a farm recordkeeping system, obsolete or inadequate facilities, and use of outdated production practices. In the case of Youth loans, it is recognized that most of the component areas will be “Not Applicable” since there is no full-scale farming operation to consider.

(b) *The assessment is an evaluation, conducted with an applicant or borrower, of the following components:*

- (1) Type of operation.
- (2) Goals.
- (3) Real estate, including facilities.
 - (i) Location and size.
 - (ii) Proposed and existing improvements.
 - (iii) Presence of environmental hazards.
 - (iv) Conservation practices and measures.
 - (v) Adequacy and continued availability of real estate.
 - (vi) External factors, such as urban encroachment and zoning changes.
- (4) Chattel property used in the operation.
- (5) Farm business organization and key personnel.
- (6) Historical financial data.
- (7) Projected budget.
- (8) Planned changes.
- (9) Ability to obtain guaranteed credit.

(c) *Supervision and training.* Appropriate supervisory oversight and training recommendations will be developed based on the Agency’s evaluation of the strengths and weaknesses of the operation in accordance with paragraphs (a) and (b) of this section and § 1924.59.